

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

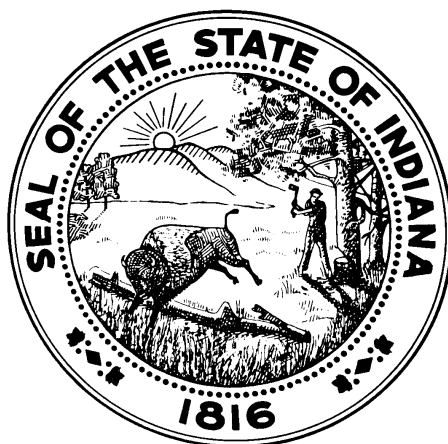
EXAMINATION REPORT

OF

TOWN OF CORUNNA

DEKALB COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
11/07/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cassandra Lynch

01-01-04 to 12-31-11

President of the Town Council

Chatman Christian
Phil Arnett

01-01-06 to 12-31-06
01-01-07 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CORUNNA, DEKALB COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Corunna (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 9, 2008

TOWN OF CORUNNA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|--|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 160,198 | \$ 81,452 | \$ 98,106 | \$ 143,544 |
| Motor Vehicle Highway | 49,665 | 12,490 | 18,420 | 43,735 |
| Local Road and Street | - | 1,445 | - | 1,445 |
| Hospital Aid | 1,426 | - | - | 1,426 |
| Cumulative Capital Improvement | 11,359 | 908 | - | 12,267 |
| Cumulative Capital Development | 13,962 | 754 | - | 14,716 |
| County Economic Development Income Tax | 13,782 | 6,624 | - | 20,406 |
| Fire Station Replacement | 135,725 | 391,593 | 513,890 | 13,428 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 35,088 | 45,366 | 47,358 | 33,096 |
| Water Utility - Bond and Interest | 2,347 | 9,600 | 5,825 | 6,122 |
| Water Utility - Depreciation | 13,700 | 1,200 | 3,769 | 11,131 |
| Water Utility - Reserve | 12,056 | 1,056 | - | 13,112 |
| Water Utility - Customer Deposit | 1,560 | 250 | - | 1,810 |
| Wastewater Utility - Operating | 18,643 | 52,854 | 42,597 | 28,900 |
| Wastewater Utility - Bond and Interest | 10,074 | 10,599 | - | 20,673 |
| Wastewater Utility - Reserve | 24,670 | - | 1,784 | 22,886 |
| Wastewater Utility - Customer Deposit | 50 | 200 | - | 250 |
| Wastewater Utility - Construction | 53,309 | - | 53,309 | - |
| Fiduciary Fund: | | | | |
| Payroll | 410 | 38,905 | 38,904 | 411 |
| Totals | <u>\$ 558,024</u> | <u>\$ 655,296</u> | <u>\$ 823,962</u> | <u>\$ 389,358</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|--|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 143,544 | \$ 129,204 | \$ 119,500 | \$ 153,248 |
| Motor Vehicle Highway | 43,735 | 18,775 | 6,073 | 56,437 |
| Local Road and Street | 1,445 | 1,564 | - | 3,009 |
| Hospital Aid | 1,426 | - | - | 1,426 |
| Cumulative Capital Improvement | 12,267 | 892 | - | 13,159 |
| Cumulative Capital Development | 14,716 | 1,872 | - | 16,588 |
| County Economic Development Income Tax | 20,406 | 10,118 | 7,500 | 23,024 |
| Fire Station Replacement | 13,428 | - | 3,930 | 9,498 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 33,096 | 48,023 | 47,629 | 33,490 |
| Water Utility - Bond and Interest | 6,122 | 9,600 | 10,170 | 5,552 |
| Water Utility - Depreciation | 11,131 | 1,200 | 7,575 | 4,756 |
| Water Utility - Reserve | 13,112 | 1,056 | - | 14,168 |
| Water Utility - Customer Deposit | 1,810 | 250 | 100 | 1,960 |
| Wastewater Utility - Operating | 28,900 | 51,354 | 39,930 | 40,324 |
| Wastewater Utility - Bond and Interest | 20,673 | 10,600 | 22,125 | 9,148 |
| Wastewater Utility - Reserve | 22,886 | - | - | 22,886 |
| Wastewater Utility - Customer Deposit | 250 | - | 100 | 150 |
| Fiduciary Fund: | | | | |
| Payroll | 411 | 43,134 | 43,268 | 277 |
| Totals | <u>\$ 389,358</u> | <u>\$ 327,642</u> | <u>\$ 307,900</u> | <u>\$ 409,100</u> |

The accompanying notes are an integral part of the financial information.

TOWN OF CORUNNA
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: water and wastewater, public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CORUNNA
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------------------|--------------------------------|---|
| Business-type Activities: | | |
| Water Utility | | |
| Notes and loans payable | \$ 42,946 | \$ 8,264 |
| Revenue bonds: | | |
| 1993 Waterworks Construction | <u>132,000</u> | <u>9,369</u> |
| Total Water Utility | <u>174,946</u> | <u>17,633</u> |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1986 Sewage Works Construction | 112,500 | 9,750 |
| 2005 Sewage Works Extensions | <u>150,000</u> | <u>12,225</u> |
| Total Wastewater Utility | <u>262,500</u> | <u>21,975</u> |
| Total business-type activities debt: | <u>\$ 437,446</u> | <u>\$ 39,608</u> |

TOWN OF CORUNNA
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OVERPAYMENTS

Penalties and interest totaling \$10.36 were paid to the Indiana Department of Revenue on June 22, 2007, for the payroll period April 2007. Also, withholdings to the State were overpaid by \$143.41 for the year 2007. Interest of \$7.17 was paid for late payment of sales tax for the period of April 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

Governmental units should collect any overpayments made.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the last three quarters of 2007.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL WITHHOLDINGS

As stated in the prior Report B27504, the balance of withholdings payable did not agree with the balance in the Payroll Fund. We recommended that the Clerk-Treasurer transfer \$339.48 from the General Fund to the Payroll Fund.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

Contracts supporting payments received from Townships for fire protection for 2006 were not made available for review. As a result, correctness of payments received by the Town could not be verified.

TOWN OF CORUNNA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town does not maintain a record of capital assets owned. This was noted in the prior Report B27504.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT RECORDS

Records presented for examination were incomplete and not reflective of the activity of the Customer Deposit Funds of the Water and Wastewater Utilities. The records presented did not provide sufficient information to establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The Guaranteed Deposit Register (Form 314) was not maintained. No separate Customer Deposit Funds have been established; deposits are receipted to the Operating Funds. Receipts are not issued to the payors.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION POLICIES

The Town does not have a written collection policy for the utilities.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

TOWN OF CORUNNA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEES

The following unauthorized fees were collected: A ten percent (10%) penalty has been charged on water bills. However, there is no provision for a penalty in the rate ordinance. Also, the reconnection charge has been increased to \$50 from \$25 without an amendment to the ordinance. This was noted in the prior Report B27504.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2006.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

PRESCRIBED FORMS

The approved budget, any modifications, and the balance of appropriations were not always posted to the Ledger of Appropriations, Encumbrances, Disbursements, and Balances (Cities and Town Form 209). As a result, an appropriation may be overspent without being noted. This was noted in the prior Report B27504.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CORUNNA
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2008, with Cassandra Lynch, Clerk-Treasurer. The official concurred with our findings.